



# OPPORTUNITIES FOR DELAWARE COMPANIES TO DO BUSINESS IN SOUTH EAST ASIA

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MAY 2020

*Those who do not know the lay of the land cannot maneuver their forces.  
Those who do not use local guides cannot take advantage of the ground.*

*Sun Tzu, The Art of War*

# About Orissa International



- Established in 1997, headquartered in Singapore, with offices in Malaysia, Indonesia, Thailand, Vietnam and the Philippines
- Boutique consultancy providing international trade advisory services to companies and export agencies seeking to export or do business in South East Asia
- Key services include business matching, export market research, lead generation
- A strong track record in guiding companies with their initial entry into a new market. Over 15 export promotion agencies from around the world refer their companies to us for trade advisory services. Over 1,000 individual client references with companies from around the world selling a variety of products and services, both industrial and commercial





## Why South East Asia?

- ASEAN's combined population of 650 million provides **the third largest consumer base** in the world after China and India, while a GDP of \$3 trillion as of 2018 positioning it as **the fifth largest economy in the world**, after the U.S., China, Japan and Germany.
- With a projected regional annual growth rate of about 5%, South East Asia is expected to collectively become the fourth largest economy in the world, overtaking the European Union and Japan, by 2050.
- The region continues to outpace the global birth rates and has a growing middle class with greater purchasing power.
- Market liberalization in many parts of South East Asia has attracted global players and woven the region into global value chains.
- The U.S. and South East Asian economies are highly complementary, creating significant and widespread benefits for both sides.





## Health Situation in South East Asia

Countries	Number of cases	Number of deaths	Lockdown in place
Singapore	23,336	20	Singapore's circuit breaker period is scheduled from April 7 to June 1. However, the country is starting gradual easing from <b>May 12</b> as community cases decline.
Malaysia	6,656	108	After a six-week nationwide lockdown, Malaysia has allowed almost all economic sectors to resume with stringent health precautions in place, starting from <b>May 4</b> .
Indonesia	14,032	973	Indonesia has declared COVID-19 a "non-natural national disaster" whilst expanding a partial lockdown to more regions tentatively until <b>July</b> .
Thailand	3,009	56	Thailand has eased lockdown measures nationwide from <b>May 3</b> . However, the nationwide curfew between 10pm and 4am will remain until May 31.
Vietnam	288	0	Since <b>April 24</b> , Vietnam has started easing from its nationwide lockdown, following a largely successful containment of the coronavirus.
Philippines	10,794	719	Philippines imposes an Enhanced Community Quarantine (ECQ) on the main island of Luzon until <b>May 15</b> but will ease restrictions in lower-risk regions.
<b>Total</b>	<b>48,158</b>	<b>1,629</b>	

As of May 11, 2020



## Post COVID-19 Economic Outlook in South East Asia

GDP Growth Outlook	Singapore	Malaysia	Indonesia	Thailand	Vietnam	Philippines
2019	0.7%	4.3%	5.0%	2.4%	7.0%	5.9%
2020	0.2%	0.5%	2.5%	- 4.8%	4.8%	2.0%
2021	2.0%	5.5%	5.0%	2.5%	6.8%	6.5%

- According to ADB, all economies in South East Asia will endure a growth slowdown in 2020 due to COVID-19 and a consequent global slump, especially given their strong trade and investment ties with China.
- However, 2021 holds much promise not only for recovery but also growth. Vietnam is forecast to be one of the fastest-growing economies.
- With most economies weakening and global oil prices softening, South East Asia's inflation should stay tame at 1.9% in 2020 and 2.2% in 2021.
- The COVID-19 outbreak is prompting a rethink among MNCs to make their supply chain more resilient by boosting inventories, enlisting alternative suppliers, and generally diversifying away from China to countries such as Vietnam, Malaysia, Thailand, and the Philippines.
- More than half of the region's population of 650 million people is under the age of 30. This youthful demographic profile translates into an appetite to embrace the new industrial revolution.
- South East Asia is moving up the global value chain, with increasing presence and investment of Fortune Global 500 companies in the region, namely Panasonic, Nissan, Honda, Osram, Apple, and Samsung.



# Business Trends in the Post COVID-19 Era

**US companies could benefit from the strong projected economic rebound in South East Asia in 2021 by positioning themselves to support industrial modernization and digitalization in the region.**

## **Manufacturing**

- Reshoring: The COVID-19 outbreak has shown governments the necessity of having certain critical products manufactured domestically and of building resilient supply chains.
- Transition to data-driven management : Advances in IoT technologies have enabled more predictability, capacity, and flexibility of manufacturing operations.

## **ICT**

- Accelerated adoption in all areas of life: ICT has played a vital role in epidemic control. Moreover, as businesses are turning to remote working as much as possible, ICT and cybersecurity services are expected to gain strong momentum.

## **Healthcare**

- Digital healthcare: Following the COVID-19 outbreak, this sector is likely to face more favorable regulatory environment, as well as greater acceptance among patients.
- Investment in infrastructure and medical supplies: In the wake of COVID-19 and given the imminent demographic transition, all South East Asian countries will need to increase investments in healthcare infrastructure and medical supplies to lessen their vulnerability in the future.

## **Agriculture & Food Processing**

- Agritech: Innovation in resource management can unlock huge agricultural potential in the region as well as improve food security, food safety, traceability, and international competitiveness.



## Regional Overview: Manufacturing

Southeast Asia has become the world's fifth largest manufacturing economy, which until recently has been founded on a low-cost production environment. Looking forward, the integration of the ASEAN Economic Community (AEC) together with the application of disruptive technologies could further stimulate substantial growth in the sector.



Located at the heart of South East Asia, this developed and free-market economy offers a host of opportunities for exporters of **electronics, aerospace components, laboratory and scientific instruments.**



Thailand, has long been considered a major hub for **automotive, electronics, and petrochemical projects.** Thailand also relies on imported **aircrafts, spare parts, and ground support equipment.**



Malaysia aims to be South East Asia's Industry 4.0 hub, offering opportunities for exporters of **electrical and electronic products, auto-electronic components, fuel efficient engines and alternative fuel engines.**



Vietnam is it is a rising **electronics** manufacturer with established presence of Samsung, LG, Nokia, and Intel. Major export opportunities to Vietnam include **electronic components, computers, and vehicles components.**



Indonesia is the largest economy in South East Asia and is a major importer of **aircraft parts, SUVs parts and accessories, smartphones, industrial machinery, and green building products.**



Significant manufacturing sectors in the Philippines include **semiconductors, electronic components, computers, peripheral equipment, and electrical machinery.**



# Regional Overview: ICT

South East Asia is the world's fastest growing internet region and is experiencing a steady expansion of ICT adoption. The region's internet economy grew 40% year over year in 2019 to \$100 billion in gross merchandise value. The South East Asian Internet economy is on track to hit \$300 billion by 2025.

## ASEAN-6 Digital Population 2019

<b>Singapore</b>		<b>Thailand</b>	
Population	5.83M	Population	69.24M
Internet users	4.92M	Internet users	57.00M
Social media users	4.60M	Social media users	51.00M
Mobile subscriptions	8.37M	Mobile subscriptions	92.33M
Mobile social users	4.20M	Mobile social users	49.00M
<b>Malaysia</b>		<b>Vietnam</b>	
Population	32.25M	Population	96.96M
Internet users	25.28M	Internet users	64.00M
Social media users	25.00M	Social media users	62.00M
Mobile subscriptions	40.24M	Mobile subscriptions	143.30M
Mobile social users	24.00M	Mobile social users	58.00M
<b>Indonesia</b>		<b>Philippines</b>	
Population	268.2M	Population	107.3M
Internet users	150.0M	Internet users	76.0M
Social media users	150.0M	Social media users	76.0M
Mobile subscriptions	355.5M	Mobile subscriptions	124.2M
Mobile social users	130.0M	Mobile social users	72.0M

Source: WeAreSocial, Hootsuite 2019

### Opportunities in Singapore

Fintech, e-commerce, smart cities, smart grids, smart home technologies, green data centers, broadcasting and media services, facial identification solutions

### Opportunities in Malaysia

Broadband services, IoT connectivity platforms, data analytics, cybersecurity solutions, hardware sales, software sales

### Opportunities in Indonesia

E-commerce, eGovernment, eHealth, cryptographic devices, fiber optic cables and accessories, radio links (microwave radio – point-to-point access/PtP)

### Opportunities in Thailand

Traffic management systems, energy management systems, Hybrid Clouds, data centers, broadband services, smart manufacturing solutions

### Opportunities in Vietnam

Software, data analytics, data centers, e-commerce, customer relationship management (CRM) and enterprise risk management (ERP) solutions

### Opportunities in Philippines

Hardware sales, software sales, servers and storage, broadband services



## Regional Overview: Healthcare

Given the growing and ageing population of the region, coupled with the rising incidence of non-communicable diseases, the total healthcare spending of Singapore, Malaysia, Indonesia, Thailand, Vietnam, and the Philippines, estimated \$420 billion in 2017, is likely to increase to \$740 billion in 2025, an increase of \$320 billion and by 70%.

The changing healthcare landscape will create valuable opportunities for the private sector, especially for

- Private hospitals, pharmaceuticals, medical devices manufacturers
- Private insurance services
- Geriatric care services
- Virtual healthcare services
- The most significant opportunity is the overall **digitalization of healthcare** (i.e. hospital information systems, cloud solutions for medical data, digital tracking of patients and treatments, automation of health monitoring, Next Generation Sequencing (NGS) informatics and analytics, medical imaging and informatics, etc.).



## Regional Overview: Healthcare

### Opportunities in Singapore

- Singapore's healthcare market is anticipated to reach S\$29.8 billion in 2020.
- Whilst local production is primarily for export or contract manufacturing, there are no barriers for foreign companies to enter the Singaporean market.
- Given its bellwether role in the regional healthcare landscape, medical companies looking to sell to other customers in South East Asia will be well-served to consider establishing reference sites in Singapore first.

### Opportunities in Thailand

- **MedTech:** Approximately two-thirds of medical devices are imported, especially high-grade devices. Imports of medical devices totaled \$629 million in 2018
- **Pharma/Biotech/LS:** Thai pharmaceutical imports amounted to \$2.6 billion in 2018, with the US and Germany being the two largest suppliers.
- **Digitalization:** The government is implementing a national eHealth strategy from 2017-2026.

### Opportunities in Malaysia

- **MedTech:** Imports of medical devices have more than doubled in value over the past decade to reach \$725 million in 2018. The US is the largest supply country.
- **Pharma/Biotech/LS:** Malaysia imported \$1.5 billion of pharmaceuticals in 2018, with Germany and the US being key source markets.

### Opportunities in Vietnam

- **MedTech:** Imported medical equipment dominates the market by up to 95%.
- **Pharma/Biotech/LS:** Domestically manufactured medicines account for only 48%.
- **Digitalization:** The government is rolling out an Electronic Medical Record system nationwide since 2019 that aims for 90% coverage of the population by 2025.

### Opportunities in Indonesia

- **MedTech:** Indonesia relies on imports for more than 95% of its medical and surgical instruments
- **Pharma/Biotech/LS:** The country imported \$990 million of pharmaceuticals in 2018. The local pharmaceutical manufacturing sector is also highly dependent on imported raw materials, and halal considerations are becoming increasingly important.

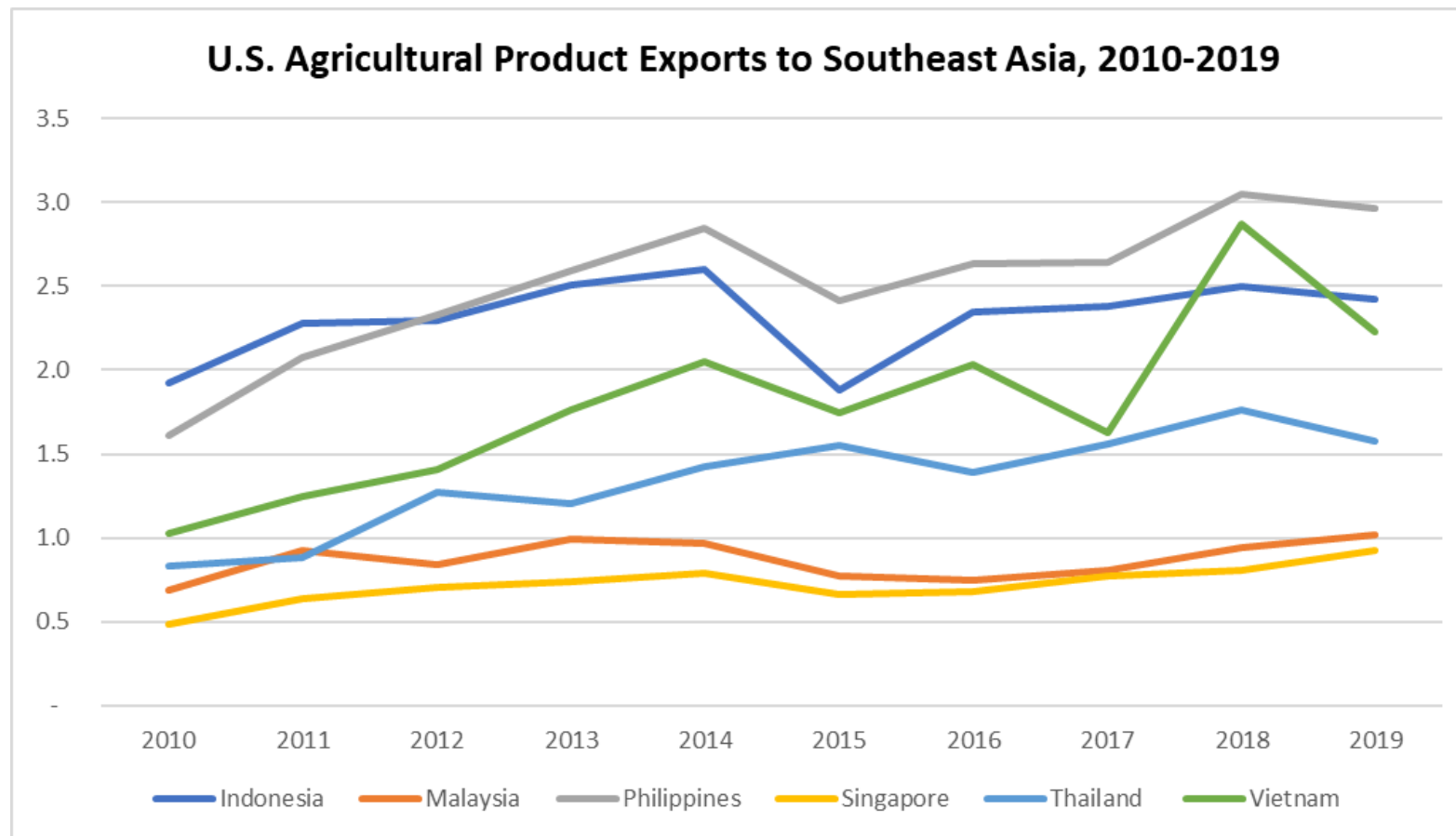
### Opportunities in Philippines

- **MedTech:** The Philippines has the capacity to only produce basic medical devices and disposables, such as surgical gloves, syringes, and needles.
- **Pharma/Biotech/LS:** The 2018 import value of pharmaceuticals was \$1.6 billion.
- **Digitalization:** With 100 million Filipinos spread across 7,000 islands, the country's fragmented geographical nature is driving the rapid adoption of telemedicine as well as interoperable Health Information Systems.



## Regional Overview: Agriculture & Food Processing

In 2017, U.S. agricultural exports to South East Asia had a 13% market share, second only to China. With a collective population of more than 650 million people and agricultural imports exceeding \$91 billion a year, South East Asia promises to remain a substantial market for U.S. agricultural exports.



Source: United States Census Bureau



# Regional Overview: Agriculture & Food Processing

A basic objective of the South East Asian market is to enhance the international competitiveness of their food, agriculture and forestry products. Other important focus areas include harmonization of quality standards and food safety.

Food processing	Opportunities for agritech
<ul style="list-style-type: none"><li>• The food manufacturing industry has the same <b>key drivers</b> across South East Asian markets, including rapid urbanization, a growing middle-class with increasing disposable income, rising demand for processed products, the growing number of food processing units, and the development of larger modern retail sector.</li><li>• Although many larger corporations are present, the food manufacturing industry in the region is mostly comprised of <b>SMEs</b>. Vietnam’s food industry, for example, is comprised of around 8,800 companies, more than 80% are SMEs with &lt;50 employees.</li><li>• <b>Indonesia</b> has the largest food processing industry in the region, valued at \$118 billion in 2018, mostly catering to the domestic market.</li><li>• <b>Thailand</b> has one of the most advanced food processing industries in South East Asia, exporting value-added products to international markets like the European Union, Japan, China, and the US. Thailand’s food industry is the country’s third largest industry.</li><li>• Regional and global expansion is also an important growth strategy for <b>Singapore’s</b> food companies. Singapore aims to become a leading food and nutrition hub in Asia by 2025.</li><li>• South East Asia <b>food processing equipment market</b> is expected to reach \$1,152 million by 2023, at a CAGR of 4.7% during the forecast period of 2018 to 2023.</li></ul>	<ul style="list-style-type: none"><li>• <b>Digital tools</b>, namely pest trackers, feeding systems, satellite monitoring and logistics planning dashboards, etc.</li><li>• <b>New technologies</b> to increase yields, reduce the environmental impact of farming and food waste, as well as improve food safety, traceability, contamination management</li><li>• <b>New platforms</b> that help the region’s agriculture sector integrate into world agri-trade flows, such as direct trading platforms for farmers, P2P lending platforms, market price information platforms, etc.</li><li>• <b>Farm tourism</b> is also a great addition to the agri-sector.</li></ul>



## What is Your Strategy for South East Asia?

Near Term: Supply chains will shift, and travel restrictions are likely to continue until COVID-19 is contained.

Long Term: South East Asia as a whole will remain an attractive region where economic growth and development is expected to exceed the global average for the next several years.

However, It is important to treat each country in South East Asia as a distinct and unique market with the differences in language, culture, and business practice. Each country presents its own set of opportunities and challenges that calls for **a globally minded and culturally competent approach.**



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